

## BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

<b>IN THE MATTER OF THE APPLICATION</b>	)	
<b>OF IDAHO POWER COMPANY FOR</b>	)	<b>CASE NO. IPC-E-04-20</b>
<b>AUTHORITY TO REVISE DEPOSIT</b>	)	
<b>REQUIREMENTS IN SCHEDULES 24 AND</b>	)	
<b>25 FOR ELECTRIC SERVICE TO</b>	)	<b>ORDER NO. 29639</b>
<b><u>IRRIGATION CUSTOMERS</u></b>	)	

On September 17, 2004, Idaho Power Company filed an Application requesting authority to revise the deposit requirements under Schedules 24 and 25 for electric service to irrigation customers. Idaho Power requested an effective date of October 18, 2004, and that its Application be handled under Modified Procedure. On October 8, 2004, the Commission issued a Notice of Application and Modified Procedure as well as an Order suspending the effective date for 60 days. Comments were filed by the Commission Staff and the Idaho Irrigation Pumpers Association. Idaho Power filed Reply Comments. After reviewing the Application and comments, the Commission approves Idaho Power's Application as set out below.

### THE APPLICATION

According to the Application, Idaho Power indicates that in recent years it has experienced an increase in unpaid irrigation bills (accounts receivable) and a corresponding increase in bad debt (net write-offs). At the same time, the number of irrigation service points has been increasing while the number of persons responsible for those agreements has been decreasing. The Company states that consolidation of accounts into the hands of fewer customers raises the level of financial risk to which it is exposed.

In order to minimize its exposure to bad debt, Idaho Power proposes to revise its deposit policy for irrigation customers by collecting a higher deposit from those customers who pose a higher credit risk. Under the Company's proposal, customers asked to pay a deposit will continue to have the option of providing an irrevocable Letter of Credit from a financial institution. A customer who owes an outstanding balance of over \$1,000 on December 31 will be required to pay a "Tier 2" deposit based upon a formula that in essence collects the customer's bill for the next irrigation season in advance. A customer who has been discharged from bankruptcy or who has had receivership proceedings terminated will also be required to pay a Tier 2 deposit.

The Tier 2 deposit will be applied to each monthly bill as it becomes due throughout the season. A customer who owes less than \$1,000 on December 31 but who has received two or more reminder notices of more than \$100 during a 12-month period, or customers whose service is disconnected during the out-of-season period due to non-payment (i.e., customers who meet the current criteria for requiring a deposit), will be required to pay a “Tier 1” deposit. The deposit criteria and formula currently in use for calculating deposit amounts would be applied to calculate Tier 1 deposits. A customer required to pay a Tier 2 deposit one year will be required to pay a Tier 1 deposit the following year.

### **SUMMARY OF COMMENTS**

Comments were filed by the Commission Staff and the Idaho Irrigation Pumpers Association. Idaho Power filed Reply Comments. The Staff recommends approval of the Company’s Application with a 30-day notice requirement prior to implementing the new deposit requirements. The Irrigation Pumpers recommend rejecting the proposed Tier 2 deposit and modifying the Tier 1 deposit requirement. They also recommend that the Commission initiate further proceedings to examine and modify the deposit requirements for all customers that may constitute an unacceptable increase in the Company’s uncollectible expense.

#### **A. Irrigation Pumpers Association**

The Irrigation Pumpers argue that Idaho Power’s proposed Tier 2 deposit proposal unfairly singles out irrigation customers for more stringent deposit requirements as compared to the deposit requirements for other customers who are also driving an increase in the Company’s write-offs. *Irrigation Pumpers Comments* at 2. The Pumpers maintain that a required deposit under the proposed Tier 2 would be four (4) times the highest monthly bill, while large commercial and special contract customers’ deposits can range anywhere from zero to no more than two times the highest monthly bill. *Id.* at 3. They conclude that the Company’s proposal appears to be an attempt to isolate and apply considerably more stringent deposit requirements to irrigation customers without addressing the overall problem caused by other customer classes.

#### **B. Commission Staff**

Staff is concerned that a rising level of bad debt places upward pressure on rates. Staff acknowledges that Idaho Power’s existing credit policy already recognizes that certain irrigation customers pose a higher credit risk than others, and views the Company’s Application as a further refinement of its policy to address those circumstances where there is an even greater

credit risk. Consequently, Staff recommends approval of Idaho Power's Application stating that the Company has proposed a reasonable and impartial method for assessing the degree of credit risk posed by each irrigation customer. Staff anticipates that a relatively small percentage of customers will be affected by the proposed change in deposit policy, and that asking those customers who pose the greatest risk to pay higher deposits will likely minimize bad debt write-offs. If the Commission approves the proposal, Staff additionally recommends that Idaho Power give notice to its irrigation customers at least 30 days in advance (no later than December 1, 2004).

### **C. Idaho Power Reply**

In reply, Idaho Power states that the proposed deposit requirements are justified by the greater credit risk and all ready existent differences in credit and collection practices associated with irrigation customers. The Company provided data that irrigation customers had, when compared with other customer classes, the largest amount of write-offs. The Company also points out that other customer classes may have their service disconnected after only two months of unpaid bills. In contrast, the Company will not disconnect service to irrigation customers during the irrigation season or while crops are still in the ground. The Company points out that the proposed Tier 2 deposit is actually very similar to their past policy of requiring a "seasonal advance"; however, instead of relying on past bill history it is based on computations for estimated future use using the horsepower size of the pump.

### **DISCUSSION**

Under Modified Procedure the Commission, after receiving comments, may set the matter for hearing or decide the matter and issue its Order on the basis of the written positions before it. IDAPA 31.01.01.203. Based upon the Application, the applicable law, and the comments, the Commission approves the Application of Idaho Power to revise its deposit requirements in Schedules 24 and 25 for electric service to irrigation customers.

While the Commission recognizes that the great majority of irrigators pay their electric bills in a timely manner, the evidence shows several trends specific to irrigation customers that support approval of the Company's Application. First, the Company's bad debt exposure for irrigation customers has more than doubled over the past three years with irrigation accounts receivable rising from \$1,414,666 in 2001 to \$2,867,849 in 2003. At the same time, irrigation net write-offs have increased at nearly the same rate from \$223,426 in 2001 to

\$413,712 in 2003. Furthermore, the write-off data for 2003 did not include a \$668,724 write-off attributable to a single irrigation customer, and irrigation net write-offs as of July 2004 at \$516,582 already exceed the entire 2003 write-off amount. Lastly, there is a slight trend towards consolidation of irrigation accounts (more service locations in the hands of fewer people) which also raises the level of financial risk.

Although the Irrigation Pumpers contend that irrigators are being unfairly singled out for more stringent deposit requirements, citing data that net write-offs have increased company-wide for Idaho Power, the following table illustrates that the irrigation customers have, from 2001 through September 2004, far exceeded any other customer class in the rate of write-offs.

Net Write-offs per \$1,000 of Billed Revenue

	Commercial(1)	Industrial	Irrigation	Contracts
2001	\$1.87	0	\$4.86	0
2002	\$2.14	0	\$4.53	0
2003	\$2.04	0	\$4.45(2)	0
2004(3)	\$1.01	0	\$6.64	0

(1) Includes both small and large commercial accounts

(2) Does not include the \$668,724 write-off of a single irrigator

(3) Through September

Idaho Power estimates that the proposed deposit requirements will affect a relatively small percentage of all the irrigation customers. Based on the most recent 2004 irrigation year, if Idaho Power's proposed credit policy had been in place, approximately 500 out of the 6,400 irrigation customers would have been asked to pay a deposit for the 2004 irrigation season. Of those 500 customers, 77 would have been required to pay the higher Tier 2 deposit amount. These 77 customers owed a total amount past due of \$2,643,101 as of December 31, 2003, and would have been asked to pay an aggregate Tier 2 deposit amount of \$3,766,301 for the 2004 season. Each individual deposit would have been applied towards monthly bills throughout the season.

Consequently, the Commission finds that Idaho Power's proposal is a reasonable and impartial method for assessing the degree of credit risk posed by each irrigation customer. A relatively small percentage of customers will be affected by the proposed change in deposit policy, and asking those customers who pose the greatest risk to pay higher deposits will likely

minimize bad debt write-offs. Minimizing bad debt write-offs is in the interest of all Idaho Power ratepayers.

The Commission finds a notice requirement, as recommended by Commission Staff, to be in the best interest of the ratepayers. All irrigation customers should be given notice of the new deposit requirement in a timely manner. Additionally, the Commission finds that irrigation customers who may be subject to the new Tier 2 deposit requirement on December 31, 2004 (irrigation customers with current outstanding balances in excess of \$1,000) should receive 30 days notice prior to implementing the new Tier 2 deposit requirement upon them. This will allow those customers a chance to bring their account current and possibly avoid the Tier 2 deposit requirement.

### **ORDER**

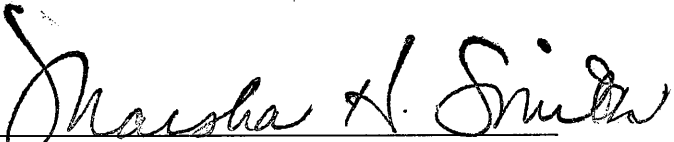
IT IS HEREBY ORDERED that the Application of Idaho Power for changes to the deposit requirements in Schedules 24 and 25 is approved. The changes as set forth in the schedules attached to the Company's Application are approved, effective as of the date of this Order.

IT IS FURTHER ORDERED that Idaho Power shall provide at least 30 days notice to those irrigation customers with current outstanding balances in excess of \$1,000 prior to implementing the new Tier 2 deposit requirement upon them (no later than December 1, 2004). Additionally, Idaho Power shall provide notice to all irrigation customers of the new deposit requirements in a timely fashion.

THIS IS A FINAL ORDER. Any person interested in this Order (or in issues finally decided by this Order) may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* §§ 61-626 and 62-619.

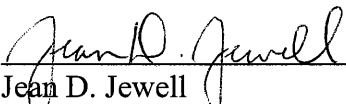
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 23<sup>rd</sup>  
day of November 2004.

  
PAUL KJELLANDER, PRESIDENT

  
MARSHA H. SMITH, COMMISSIONER

  
DENNIS S. HANSEN, COMMISSIONER

ATTEST:

  
Jean D. Jewell  
Commission Secretary

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